

INDEX	PAGE
Adams-Millis widens scope . . . . .	6
Atlantic City Electric anniversary . . .	4
CBS reports . . . . .	1
Footnote fundamentals . . . . .	15
Gram filters toward Big Board . . . . .	12
IBM meets Governor . . . . .	10
Jerkin-Elmer greets Lewis . . . . .	2
Philip Morris overseas . . . . .	9
Salt water conversion processes . . .	19
Years Roebuck celebrates . . . . .	5

# Investor's Reader

No 10, Vol 36

May 10, 1961

## BUSINESS AT WORK

### BANKING

#### Non-Continental Branch

FOR YEARS the big Chicago banks have had to struggle and squeeze to get along without branch banking privileges. State law has confined their operations to single large buildings in the Loop. Now Continental Illinois at last expects to open a branch. To be sure, it is not in Illinois nor yet quite Continental. But the FRB willing, the No 2 Chicago (and No 10 US) bank is ready to operate its new outlet in the financially fashionable "City" area of London.

### TELEVISION

#### CBS Beams

IN ONE OF its 15 Manhattan television studios the Columbia Broadcasting System Inc two weeks ago staged one of the briefest and quietest annual meetings in its 33 years. In fact the whole session would have fitted neatly into TV's one-hour

format, with ample time left over for commercials. With about 200 of the 25,000 shareholders in attendance (counting proxies 83% of the stock was represented), CBS directors and auditors were elected, a new stock option plan encompassing 425,000 shares was approved and chairman William S Paley answered questions from the floor following the traditional report by president Frank Stanton.

Fair-complexioned Frank Stanton maintained: "CBS had a good year in 1960. Sales were the highest in the history of your company and net earnings the third highest." The tally for the nation's top video & radio broadcaster: net sales up 5% to \$464,600,000, profits off to \$23,235,000 or \$2.77 a share from \$3.02 in 1959 and \$2.92 the year before.

Bill Paley attributed the profit squeeze to "our sales mix," noted profits on some programs the company sold were "practically nil." Last

year CBS greatly expanded its TV news and public affairs programs in the prime evening hours and "the costs of such programs greatly exceeded their revenues." Notable "public affairs" shows include *CBS Reports*, *Face the Nation*, *Eyewitness to History* and *The Twentieth Century*. Like all the networks, CBS of course also provided free time for the Great Debates of the Presidential candidates. For a major role in bringing the debates about, Dr Stanton has just won a Peabody award.

But the biggest drain on earnings probably came from the CBS Electronics division. In 1959 it was reportedly close to the break-even point but in 1960 it "fell short of the year's goals." The division which turns out tubes and semiconductors as well as phonograph sets and tape recorders was "hurt by the recession, by drastic price cutting and by imports." Frank Stanton promised "many steps are being taken to remedy the division's difficulties" under "a complete new management team." However he allowed "CBS Electronics' first quarter was [still] unsatisfactory."

Total CBS first quarter sales were up somewhat over last year. With the usual cautionary "if" regarding the trend of the general economy, Frank Stanton looks for full-year sales to "be somewhat better than in 1960. Our efforts will be to try to produce profits at the 1960 level or better." He stresses: "CBS is a strong company in its major fields of broadcasting and records."

Specifically, Columbia records, long the industry leader, "is clearly going to have another excellent year?"

Mitch Miller's *Sing Along* albums had first quarter sales "exceeding 1,000,000 units." In the same period *Camelot* albums "passed the 250,000 mark" (CBS also owns approximately 40% of the Broadway show). More important, the company is confident the CBS-TV network—which together with the company's own stations yield about two-thirds of total revenues—"will without much question maintain top position" among the networks in 1961.

## MANAGEMENT

### Perkin-Elmer Picks a Head

ON THE FIRST of next month Robert Edward Lewis will take over the post of president for the fourth time in his career. This time it will be as head of Norwalk, Conn. scientific instrument manufacturer Perkin-Elmer Corp. He succeeds 55-year-old founder Richard Scott Perkin who will stay on as chairman but will devote his full time to "long-range planning, including scientific and financial matters and the development of Perkin-Elmer's operations abroad."

The new president, also 55, comes to his job from the General Telephone & Electronics Corp. where since 1959 he had been president of subsidiary Sylvania Electric Products. In the ten years before that he was president and chief executive officer of Argus Cameras Inc. (IR, March 21, 1956) which merged into Sylvania in 1957. Still earlier he had been president of Cleveland Wire & Spring Company.

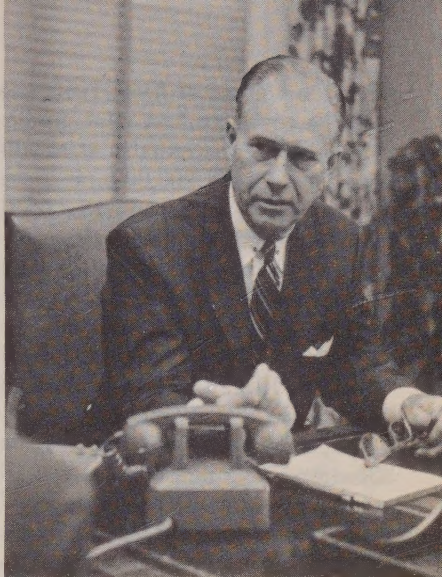
In his new job president-elect Lewis will head a company which



though founded only shortly before War II, made its mark as a leading wartime producer of precision optics for the military. Perkin-Elmer is still big in precision optics. Among its more unusual items are theodolites—angle-measuring instruments used in the guidance systems of missiles like the Atlas, Titan and Mace. Perkin-Elmer also makes optical tracking instruments and balloon-borne telescopes. To its credit in this category is the Stratoscope I which on two special balloon flights in 1957 and 1959 took “the most detailed pictures of the sun ever obtained.” Perkin-Elmer is now working on Stratoscope II, a more sophisticated version which will be used to photograph planets and other celestial objects.

With about 11% of sales normally channeled into research Perkin-Elmer has expanded rapidly from its basic optics position. It claims to be the world leader in infrared instruments. These and a line of ultraviolet instruments are used by the chemical, oil, food, drug, cosmetic and other industries for laboratory analysis of raw materials. Perkin-Elmer is also a leader in gas chromatographs for analytical and process control. In cooperation with Phillips Petroleum it recently developed a new high-speed gas chromatograph to control multi-component chemical, petrochemical and petroleum process streams.

A third area of Perkin-Elmer interest is electronic components such as potentiometers and transformers. And through affiliate Atomium Corp, in which it acquired a “substantial



**Four-time president Lewis**

stock interest” last year, the company is now developing nuclear instruments for radiation detection.

As Perkin-Elmer's product line expanded, so has its market area. In 1954 it set up West German manufacturing facilities, three years later moved into Britain. These two operations brought in sales of more than \$3,000,000 last year which however are not consolidated in parent reports. In addition sales & service subsidiaries operate in Canada, France, Italy, Sweden and Switzerland. The company also has overseas representatives in 24 additional countries. Last December the company set up Hitachi Perkin-Elmer in conjunction with Japanese electronics maker Hitachi Ltd.

Perkin-Elmer financial growth is as impressive as its product and market expansion. In the year ended last July sales came to a record \$22,100,000. This is more than

triple the volume of fiscal 1955, the year the company first went public. Profits last year were also at an all-time peak of \$1,200,000 or more than double 1955. Because of a 56% increase in shares outstanding, earnings per share have not quite kept pace. However they also show a nice increase to \$1.05 last year from 72¢ in 1955.

Perkin-Elmer gains continued through the first six months as profits expanded to 35¢ a share from 30¢ on a 37% boost in sales. Full year profits are estimated around \$1.25. On the Big Board where the 1,249,000 PKN shares arrived in mid-December, the stock has been a sensational performer. It ran up almost 80% from its first listed price of 47½ to an alltime high of 84 last month. It has settled since to around 78.

## UTILITIES

### ATE Feast

**A**LTHOUGH Atlantic City Electric Company readily admits to commemorating "more a series of weddings than a birthday," it is nonetheless celebrating 75 years of service this Spring. As the company rightfully boasts in its annual report: "In the electric industry, 75 years is a long time" for only four years earlier "America's first central generating station was built by Thomas A Edison in New York City."

Atlantic City Electric traces its origin to the founding of the Electric Light Company of Atlantic City in April 1886. The present company was incorporated in 1907 to acquire

Electric Light and several others.

Since then it has through a multitude of mergers spread its domain across all of southern Jersey below a line running roughly from the Delaware just south of (thus excluding) Camden to the Atlantic at Barnegat. But while the 2,700 square mile service area covers one-third of the state, its 603,000 year-round residents represent less than 10% of the total Jersey population — which leaves a good deal of space for growth.

Until 1948 when the Holding Company Act forced a break-up, the utility remained under the wing of American Gas & Electric. Now Atlantic City Electric is a sturdy independent with 21,000 stockholders. Its 3,980,000 common shares trade on the Big Board under the symbol ATE.

The ATE area embraces the string of South Jersey seaside resorts as well as the burgeoning suburbs around Philadelphia and Wilmington. In fact chairman Bayard L England makes a point that "three-fourths of our total revenues come from non-resort areas."

ATE's biggest customer is duPont

### Hayward receives anniversary plaque





which takes 63,500 kw from the Deepwater station for its big chemical complex in this area smack across the Delaware River from Wilmington. DuPont accounts for 8% of total revenues. Other big industrial customers are Owens-Illinois, Anchor Hocking Glass and Armstrong Cork. In addition Monsanto Chemical last year started a multi-million dollar construction project in Gloucester County while Columbia Records completed a \$4,000,000 plant in Pitman. However 49% of revenues are derived from the 231,000 residential customers, a ratio which the company feels enhances its stability.

Present generating capacity of ATE's system is 442,000 kw. But it will be boosted to 586,000 kw with the completion of the \$27,000,000 B L England station near Ocean City late next year.

From its small beginning in the gaslight era, the strictly electric company has grown steadily if unspectacularly. It posted record revenues of \$40,200,000 last year, double those of a decade earlier. Net income was also at an alltime high of \$7,420,000 or \$1.57 a share. In January confident directors voted a dividend increase from 27½¢ to 30¢ quarterly on the common shares which now trade at 41 compared with last year's low of 29.

All signs indicate the company will turn its diamond anniversary year into another record. For the twelve months ended March ATE earned \$7,637,000 or \$1.61 a share on revenues of \$40,900,000. According to 52-year-old president James

Parker Hayward—a 36-year ATE veteran who assumed his new job at the start of the year—the rest of 1961 “looks good, too. We told our stockholders at the annual meeting we would earn \$1.68-to-1.72 and we're expecting to stay within that range.”

## RETAIL TRADE

### Sears Jubilee

**A**LSO CELEBRATING its Diamond Jubilee this year is the world's largest non-food retailer. It began in 1886 when young station agent Richard W Sears took over an undeliverable shipment of railroad watches, peddled them to fellow agents so successfully that the following year he moved a growing mail order business to Chicago and hired watch maker Alvah C Roebuck to help him.

At last count Sears, Roebuck & Company had grown to 740 domestic retail stores, 947 catalog sales offices plus a host of manufacturing, financing, real estate and Latin American retail subsidiaries. The company also has a Canadian affiliate (Simpsons-Sears) and wholly owns the mushrooming Allstate Insurance Company.

The latter is celebrating an anniversary this year too, its 30th, although its greatest growth has come within the last decade. An unconsolidated subsidiary, Allstate paid its parent over \$20,000,000 in dividends last year, equal to 27¢ a Sears share. Allstate wrote just over half a billion's worth of premiums in 1960, nearly 90% of it for autos and trucks. The company is second only

to State Farm Mutual in the auto field, last year insured close to 7% of all passenger cars in the US and Canada.

Sears enters the anniversary year after posting its sixth straight sales record—a whopping \$4.1 billion for the year ended January 31 *v* an even \$4 billion the year before. However net income fell 3.3% to \$192,200,000 or \$2.55 a share because, as chairman Charles Henry Kellstadt explains, “competition was stiff and we had to lower prices to hold up sales.” If undistributed earnings of non-consolidated affiliates and subsidiaries are counted, last year’s earnings would come to \$2.99 a share *v* \$3.05 a share earned the year before.

#### More Sales

In February and March sales rose better than 5% over the year-ago period. As for April chairman Kellstadt notes “the first two weeks were not comparable to last year because of the early Easter. And of course the weather was and is still adverse. It was considered a question mark going into the period but it turned out to have a larger effect than we imagined.”

Then he lamented over the long-distance phone: “We haven’t had a good weekend yet and it’s still storming in Chicago today.” So he figures the quarter ending April will be “the same or slightly less than last year.” Nonetheless, the 64-year-old retail leader expects “a good year. We’ll be running against [recession] figures after May so we’re looking for earnings 4-to-5% better” come next January 31.

## MANUFACTURING

### Textiler Adams-Millis Plugs into Production Of Computer Components

**H**OSIERY and electronics make an unlikely couple but to 57-year-old textiler Adams-Millis Corp of High Point, NC, the combination came about logically — and profitably. President James H Millis, the 38-year-old namesake of the co-founder recalls the idea was broached to him in late 1957 by Robert M Duggins who was then head of the hosiery producer’s IBM department. Bob Duggins had for some time been intrigued by the demand for extra electronic control panels — rectangular boards perforated with switch-board-style holes or receptacles. By connecting the appropriate holes with a carefully programmed maze of wires, the proper working orders are transmitted to IBM punchcard or other data processing machines.

Along with Albert W Raulston, one of his IBM department supervisors, Bob Duggins in September 1957 started a business dealing in used panels. In July 1958 they went into production of new ones. Meantime in early 1958 enterprisers Duggins and Raulston quit their regular jobs after organizing Machine Accounting Control Panel Company Inc (subsequently shortened to MAC Panel) — and persuading old boss Adams-Millis to purchase a 51% interest in their new venture. Adams-Millis kept increasing its investment and in 1960 merged MAC—with co-founders Duggins and Raulston as president and vp of the division.

Bob Duggins reminisces: “In the



early days we had a ball even though we were afraid the roof would fall in at the converted hosiery mill where we had been operating." Instead of a collapse however MAC Panel operations have raised the roof on sales and earnings of the longtime hosiery manufacturer. On a pro forma basis sales of control panels contributed 20% of total Adams-Millis sales of \$19,000,000 in 1959 and two-thirds of the \$818,900 (\$1.11) earned that year.

Last year MAC was beset by increased competition and the business slump. But hosiery volume was off too. As a result MAC furnished 25% of the \$17,400,000 aggregate volume of 1960 and somewhat more than half of the \$850,000 (\$1.14) profits.

### **Electronic Glitter**

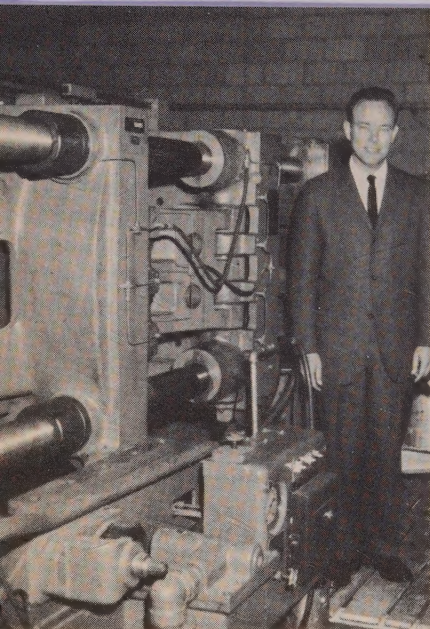
The addition of electronic panel manufacture has also added glamor to the onetime sluggish textile stock which traded at an adjusted low of 8 in 1957. Since 1958 Adams-Millis common (ALL on the Big Board) climbed steadily to a peak of 47 in 1960. Subsequently the 748,000 shares have dropped back to around 40.

MAC Panel claims to be the leading independent (non-IBM) manufacturer of control panels. Last year it also began to produce panel wire & clips—since customers needed them to wire up their control boards. Originally MAC had bought the wire from AMP Inc but decided "it's cheaper to manufacture than to buy." MAC is installing equipment which "will allow us to mass-produce the wire and sell to other data processing system manufacturers. We make a

lower resistance wire than other independents which means it can carry higher voltages." MAC president Duggins adds: "The wire business is a pretty big field. Besides uses in other fields, wires for computer use alone are \$1-to-1¼ million a year."

Last Fall MAC enlarged operations by entering into development of the receiver frames into which the control panels fit. This frame is a permanent component of the computer itself, acts "as a kind of female plug for receiving the programming instructions from whatever panel is inserted into it at the time." These panel & receiver systems (Adams-Millis calls them "programming systems") are being considered for inclusion in computer models by several major manufacturers. Enthusiastic Duggins reports: "We've already supplied sets for four or five machines. Right now we're taking the final bugs out but we'll be ready to supply these systems within a couple of weeks." This business should provide a natural tie-in for MAC's panel sales since "each machine requires many panel boards."

While foreseeing long-sustained demand in the punchcard processing business, Adams-Millis last year decided to plug into the potentially profitable magnetic tape market. It set up the MAC/Netic Tape Company in a 52-48 partnership with three West Coast inventors who perfected a chemical formula to make the tape with the basic film supplied by duPont. MAC/Netic is scheduled "to be in good production by the first of July." Bob Duggins reports "we will begin on computer tape since our salesmen already have the contacts.



**Jim Millis, Bob Duggins, MAC exec vp Williams, MAC/Netic co-inventor Dague**

But with our coating machine and highly mechanized production, we'll be able to manufacture both computer and audio tape." He adds: "I think we will show a profit in this operation this year."

MAC panelled Adams-Millis into yet another field when it recently established the Southern Die Casting & Engineering division in order to exploit the Vibrocast process of die casting nonferrous metals. Originally developed by Adams-Millis employe John A Weber for use in panel manufacture, Vibrocast is based on the application of sound waves to die casting. Jim Millis reports it produces "die cast aluminum parts having a tensile strength greater than that of conventional castings" with resultant harder surfaces and fewer internal defects. It "will allow us to cast parts never cast before."

According to Southern Die head

Willis Harris, "the door is wide open" for other uses of this process. While the company has not yet decided whether "we'll license or keep it to ourselves," Harris reports interest by a number of large manufacturers: "A day never passes without someone calling us about it and some days we've had as many as six calls."

While diversification has taken Adams-Millis down new roads, Jim Millis still considers hosiery operations "our bread & butter. We do not plan to de-emphasize. We ship over 5,000,000 dozen pairs of 'hosiery for the family' each year. It's a highly competitive business but our plants, equipment and personnel are modern and flexible with market trends."

About 25% is in ladies' nylons, mostly seamless, which the High Point producer distributes through franchised dealers under its own Sponsor, Dolly Madison and Floricea



brands. It also "ships under the customer's private label" especially for variety chains and jobbers. Adams-Millis is also big in men's and children's socks, including its Pointer brand "for all the family."

Early last year the company launched a major new endeavor to sell a nationally advertised prestige brand of men's & children's (but not ladies') hosiery through wholesale distributors. It joined with underwear maker P H Hanes Knitting Company of Winston-Salem (no corporate relation to Hanes Hosiery Mills) to form Hanes-Millis Sales Corp which sells Adams-Millis-produced Hanes Red Label hosiery.

Jim Millis points out "we stand to profit two ways from the Hanes-Millis arrangement: 1) profits on the hosiery we sell to the subsidiary and 2) 50% participation in the profits." The operation has been going well. "We anticipated a \$100,000 loss during 1960 due to high salesmen training costs, etc but we had an actual loss of only \$27,000 last year and turned the corner with a \$22,000 profit before taxes in February." He adds: "This company expects sales during 1961 to hit \$4,000,000. The branded field for the mass market is virtually untouched and has tremendous potential."

Another source of hosiery income lies in patent royalties from Adams-Millis' 30% interest in the Getaz and Ledwell methods of "closing the toes of stockings and socks." Jim Millis explains: "We're particular in not calling this a seamed toe. The Getaz method used on ladies' seamless stockings was brought to us by a

New York inventor. We did the development work and had new equipment built. Ledwell, a foreman in our plant invented a similar process for our other hosiery."

Adams-Millis presently has 75 US licensees for the process. Soft-spoken Jim Millis notes the company has "brought suits against three mills who were infringing in order to establish the validity of our patents and to demand if necessary signed agreements from all infringers." One suit has been settled satisfactorily out of court and two are pending. President Millis states if these cases are won, "this program should begin developing substantial royalty income during the year."

Due to startup problems and the delay on patent income because of the litigation, Jim Millis feels "1961 will not be as big a year as we expected" but will be the same or slightly better than last year. He specifies: "In hosiery we'll do as well as or better than last year. MAC Panel should do well with the addition of programming systems. MAC/Netic Tape will be a boost starting July and there should be some increase in royalties from our licensees." Thus he confidently continues with the prediction "1962 will be our year."

## **FOREIGN FRONT Down Under Disclosure**

**T**HOUGH US corporations have invested huge sums of money overseas, it is rare to see figures on how any one overseas subsidiary is doing. Philip Morris Inc, the No 4 US cigaret producer, follows the standard policy of lumping its share

in the net earnings of foreign subsidiaries with its other earnings. However it is possible to see specifically how one of its distant outposts is doing—Philip Morris (Australia) Ltd. Since 600,000 of the company's 1,700,000 shares are owned by the Australian public, some news of the company is released.

Founded in 1955, the subsidiary was a profit-maker within two years, earning \$151,000 in the year ended June 1957. Profits rose to \$532,000 in fiscal 1959. This record was shaded slightly to \$518,000 last year, the first time the company faced importation of US-made cigarets. The Australian company paid its first dividend in 1960—6% of par (par is one Australian pound or \$2.24). It has maintained that rate in 1961.

Despite the slight dip Down Under, parent Philip Morris back home increased its equity in net income of foreign subsidiaries to \$637,000 in 1960 from \$342,000 in 1959. The company is part owner of cigaret manufacturing facilities in Venezuela, Canada, Britain and Australia. It also licenses manufacturers in Switzerland, Germany and the Philippines. Equity in the net assets of foreign subsidiaries now comes to \$7,558,000, one-fifth more than the original investment.

## OFFICE EQUIPMENT IBM Frolic

**I**T WAS a truly festive occasion. Over 4,200 folks crowded the tent ground, 900 more than had ever come before. It included a good many youngsters granted school permission to attend. Rain stayed away

till the festivities were over. There was a speech from the Governor and then a rousing meeting. Afterwards there were box lunches.

In this happy atmosphere somewhat akin to a state fair or Chautauqua meeting, mighty International Business Machines Corp held its annual meeting two weeks ago at Yorktown, NY in the rolling hills of Westchester County.

The occasion also served to dedicate IBM's research center. Named for the company's founder, the late Thomas J Watson Sr, the building is a long, graceful, crescent-shaped structure of fieldstone and glass designed by Eero Saarinen. Its three stories house a 266-seat auditorium, a library, a computer center and a cafeteria as well as countless rooms for laboratories and offices. By the end of the year 1,500 people will be working at the center; now there are about 800.

The stockholders toured the new center, saw computers calculating weather and printing weather maps, witnessed experiments in magnetism, language translation and crystal growth. Then they went to the gaily-colored tent (and some overflow areas) for the meeting itself.

Tall, dapper president Thomas Watson Jr welcomed the crowd and promptly introduced Westchester neighbor and friend Nelson Rockefeller. There was no indication whether or not the latter owned IBM stock but in his role of Governor he duly praised the company and its devotion to research, dedicated the center by pressing a button (see picture) to lower a time capsule into



the earth. He also put in a word in favor of stock options as an incentive for top management—the subject of Congressional scorn that very day. A quick good-bye and Rocky was off to Washington to see JFK about Cuba.

President Watson then told shareholders of IBM's sparkling first quarter performance. Earnings were \$48,800,000 or \$2.67 a pre-split share *v* \$1.92. But he noted these results were enhanced by a big increase in outright sales compared to rentals. Specifically 31% of the value of new machines shipped & billed in the quarter were sold outright against only 7% a year earlier. Tom Watson cautioned: "If this trend continues, it will tend to inhibit IBM's growth."

Chief Watson then ticked off these items of IBM interest:

- To keep IBM in the forefront of the business machine industry the company is spending about 6% of its gross income for research.

- IBM is active in developing a Russian-English translation system in conjunction with the Air Force.

- The company is working on a machine which can index and file huge amounts of information and retrieve for quick viewing any piece of that information.

- Research activity is being carried on in the field of optical masers, devices which can transmit narrow beams of light great distances and may open up brand new channels of information transmission.

President Watson did not predict IBM's full year figures, but Wall Streeters are looking for earnings to be about 15% over those of 1960.



**Governor and president**

Stockholders also previewed IBM's new educational movie *The Question Tree*, aimed at sparking scientific interest in youth.

Questions from the floor elicited news that IBM's vigorous overseas subsidiary IBM World Trade earned enough (if its results were fully consolidated) to bring first quarter earnings to \$3.22 a share or 21% more than actually reported. But Tom Watson warned: "That money is all over the world. While we have every intention of getting it, it is not yet in New York."

In their most important official action stockholders approved a three-for-two split. Directors promptly voted a 60¢ quarterly dividend on the new stock effecting a 20% hike in the company's payout. The new stock selling around 478 on a when-issued basis, yields a mere 1/2 of 1%.

## **Fram Corp Guards Auto Oil**

**Dipstick Storyteller  
Expands in Filtration,  
Eyes Big Board**

**A**FTER SPENDING the greater part of its 26 years in relative fiscal obscurity, filter maker Fram Corp plans to apply for a New York Stock Exchange listing next month. And while little known to investors, the Providence company has been quite energetic and successful in telling its story to motorists and gas station operators. Fram's chief slogan is "the dipstick tells the story" or more concretely, when the oil on the dipstick looks dirty, it is time to replace the oil filter with a new Fram.

Fram was founded in 1934 around an oil filter devised by two Providence chemists, Frederick Franklin and T Edward Aldham. Their names were contracted to create the company's snappy monicker. One of the local businessmen who helped finance the venture was Steven B Wilson, the present Fram chairman. He recalls "things started popping" when the then four-man company got its first order for original equipment filters for the 1936 Studebaker "President." Soon after that it hired a sales force and went after the service station "after-market" which is "our lifeblood."

Now 70, Steve Wilson, who has held the chairmanship since 1942, is the only Fram founder still active in the company. President and chief executive officer is Arthur Francis Pettet, 48, who received his title last November. Alluding to an often touchy corporate problem, Art

Pettet states: "We're now in the final stage of a transition from an owner management to a paid management. It's been a graceful transition with no great upheaval."

Fram went public in 1951 and the founding families still own "substantial" blocks. But there are also 3,700 other stockholders of the 976,000 shares. In its decade on the public market the stock has ranged between a low of 6 in 1952 and a high of 33 in 1959. This year's range has been 23-to-30 with the current price around the high. The quarterly dividend of 25¢ has been paid without change since 1956—supplemented by 10% in stock each of the past three years.

Though not a founder, Art Pettet is no newcomer to Fram. He came to work on production scheduling in 1942, his second job after graduating from a Mount Vernon, NY high school. Next he worked as an assistant to the general manager and as a plant manager, in 1949 moved up to general manager of manufacturing. Eight years later he became executive vice president.

Through its history Fram sales have grown gradually but steadily. Chief factor has been the sharp increase in the auto population plus general acceptance of filters as virtually standard equipment. Today 90% of all US cars are equipped with filters compared to only about 50% in 1951. Development of new products such as carburetor air cleaners also contributed to Fram growth.





**Filtermen Wilson and Pettet**

Last year sales hit a peak of \$40,000,000 which was 13% ahead of 1959 and double ten years ago. Earnings of \$2,081,000 (\$2.13 a share) in 1960 were also a new high but less than 1% ahead of 1959 because of increased product and merchandising expenses.

This year first quarter sales and earnings were both "down somewhat." However president Pettet feels the outlook "has already turned for the better," expects a "resurgence which will carry us past last year. Our objective is a 15% increase in volume and it seems safe to say we will reach an earnings objective of at least a 10% increase."

Something over 60% of Fram volume is oil, air & gas filters for autos, a market Art Pettet "roughly estimates" at around \$130,000,000 a year for the industry. Chief competitors are Purolator Products (IR,

May 25, 1960) and the AC Spark Plug division of GM which naturally cops all its parent's business.

Even so Fram claims it has "the largest number of original equipment accounts." However four-fifths of filter business is in the after-market. Notes chief executive Pettet: "This business is growing every year and it is also the more profitable of the two." Last year Fram launched a "highly successful premium campaign to spur dealer efforts." Explains sales vp Howard E Robinson: "For every given quantity of filters our dealers buy we give a gift certificate redeemable in merchandise. It's like being in the green stamp business."

On top of this solid automotive base, Art Pettet believes Fram's best growth prospects are in two newer fields, industrial and aircraft filtration. It began its diversification in 1954 when it bought Warner-Lewis Company of Tulsa, now a "very successful" Fram division. A specialist in liquid separators, Warner-Lewis is a leading manufacturer of air and fuel filters used for fuel loading at airports. In 1955 Fram set up an aircraft filter division to develop new aircraft and missile products.

Warner-Lewis is also Fram's primary entree to the industrial filter market which president Pettet believes "may become bigger than our automotive business in the next few years." To date the largest customer is the oil industry but "potentially the market includes all industrial processing involving treatment of fluids."

Art Pettet adds: "This is a whole

new market we haven't really gone after. We now have a sales organization on the job, also an engineering group which will take on any filtration problem." He adds: "Ten years ago filtration was a simple process but now it involves increasingly precise technology."

To keep pace Fram has expanded its research effort "every year for the past five or six." In its continuing search for new filtering media the Providence laboratory is testing 31 varieties of paper, also glass fibers, mesh metal screens and asbestos mats.

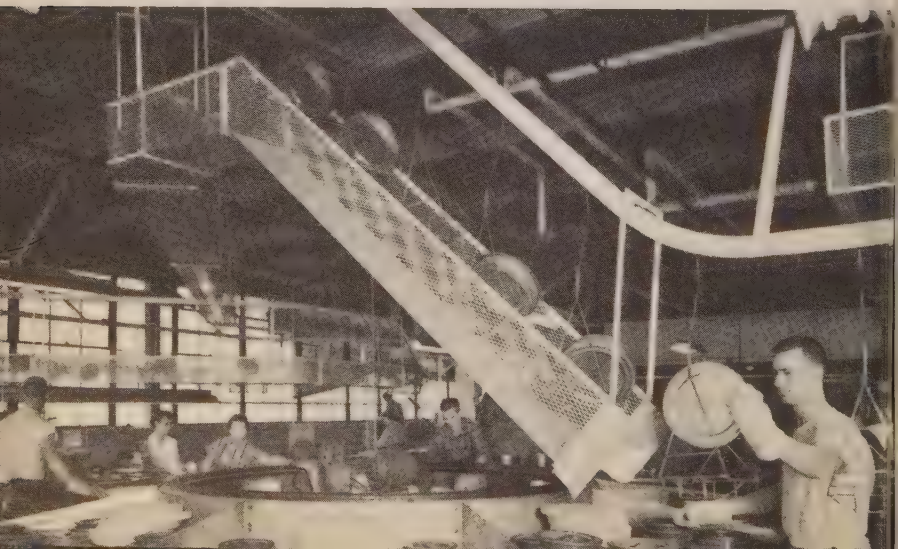
One specialized product of Fram research is a treated filter for air conditioners and heaters which kills 98% of the bacteria in the air passing through it. Fram Aire Corp which was established early last year to sell the new filter is "going slower than we had hoped but we still believe it has a fine market. This is a problem of education," explains

president Pettet. "People don't realize ordinary heating and air conditioning filters are bacteria breeding grounds."

With an eye to expansion abroad, Art Pettet recently spent two weeks in Europe. He believes the foreign filter market "deserves more time & money than we were giving it." Besides a Canadian division, Fram now has five licensees in Europe, three in South America and one each in Mexico, Australia and New Zealand. The company's "expanding" export markets are handled by Fram International Ltd which it set up in January with offices in Nassau and Geneva.

Concludes filterman Pettet: "With the program on which we are now embarked plus the possibility of growth through acquisition we think we can at least double the company's size in ten years and we are pushing with all deliberate speed to do just that."

#### ***Fusing gaskets for aircraft filters***





# REPORT READING

## Footnotes and Auditors' Letters Rate Scrutiny

INVESTORS ALL OVER THE LAND are poring over the annual reports which have been flooding in for the past few months. Many are enthralled by the excellence of the graphic art in the reports; others leaf rapidly through to the earnings statement and balance sheet. But unless they have had some special training, they often overlook two very important parts of every annual report: the auditors' opinion and the footnotes.

The auditors' opinion is the short note over the CPA's signature which normally states that the accountants believe the records of the company "present fairly" its financial position "in conformity with generally accepted accounting principles."

The wording is quite standardized when—as is usually the case—all is well and no disagreement has arisen between the accountants and the management. Qualified opinions are relatively rare and outright disapproval is even more so, according to figures compiled by the American Institute of Certified Public Accountants in its annual publication *Accounting Trends & Techniques*. Of 600 representative industrial companies whose 1959 annual reports were searched for illustrations of accounting practices, there were only 67 qualified opinions and in 50 of these the auditors specified they approved the departures from "generally accepted" practices. Moreover, there were no outright disapprovals in the 1959 tally and only one in 1958.

**Double Detail.** Still, investors should always check the auditor's opinion for any special comments or for those rare instances of outright unwillingness to express an opinion. For instance, there are two "accountants' reports," as the opinions are technically called, in the 1960 annual report of Brooklyn-based drugstore chain United Whelan Corp. The first applies to the parent company, the second to United Whelan's wholly-owned but unconsolidated subsidiary Crawford Clothes Inc. In the latter the accountants completely withhold an opinion.

Their report notes Crawford has been carrying out a rehabilitation program and closing unprofitable stores. Crawford, which was acquired by United Whelan in 1959, lost \$2,537,000 in 1959 and \$1,204,000 in 1960. These deficits, the accountants added, were "before provision for future rental obligations on certain store premises where the stores have been closed and no income is being received other than a minor amount of sub-rentals." Moreover, figures since year end indicated the company "has sustained further operating losses." Thus, they said, the statements "may not ade-

quately reflect all losses attributable to operations during \* \* \* 1960." Because of these matters, the accountants concluded: "We are precluded from expressing an opinion with respect to the fairness of the over-all presentation of the consolidated financial position" of Crawford Clothes.

In the case of the parent company, the accountants approved the financial statement "subject to the effect of the matters referred to in Note A with respect to Crawford Clothes Inc." Note A explains United Whelan's management believes it was "more informative" to present Crawford Clothes' statements separately "due to the dissimilarity" of its activities to those of the parent company. Note A also refers readers to the statements and accountant's report on Crawford Clothes.

Certain of the accounting problems may have been solved when United Whelan recently sold its capital stock in Crawford Clothes to Pittsburgh clothing wholesaler Sol Wolk & Sons for an undisclosed sum. Says United Whelan chairman Charles Green: "We retain no further financial or moral obligations of Crawford."

**Qualified Approval.** On occasion the auditors take sharp issue with one aspect of the statements but approve the remainder. Such is the case with Aero-Flow Dynamics (formerly Aero Supply Manufacturing Company), a maker of fluid control products. Said the auditors: "The company's investment in stock of Elgin National Watch Company has been classified on the accompanying consolidated statement of financial position as a current asset. It is our opinion that generally accepted accounting practice requires that this investment be classified as a non-current asset."

Some qualifications simply cite factors over which neither accountants nor the company have any control. For instance the auditors may say it was impossible to verify inventory in certain foreign countries or to verify amounts receivable from the US Government.

**Footnote Fancy.** The accountants are also often influential in getting balance sheets and income statements amplified by footnotes. These bearers of supplemental information are becoming increasingly common. *Accounting Trends* found only 27 of the 600 reports of 1959 it studied were devoid of footnotes; in 1955 there were 59 without notes.

Mostly these footnotes are brought to the stockholder's attention by a notation under the financial statements saying "the accompanying notes are an integral part of these statements" or simply "see notes to financial statements." In most cases there will also be a helpful cross reference in the body of the financial statement, as for instance "Inventories (see Note 1)" or "Taxes Accrued (Note 2)." Sometimes, unfortunately, the notes are not numbered, send-



ing the reader on a treasure hunt to find the pertinent item in the balance sheet or income statement.

Even when statements and notes are well tied in, the closely-printed notes often discourage readers and the highly technical language accentuates this. And in many cases careful reading proves unrewarding since the notes may simply spell out some of the provisions of the company's stock option plan, loan agreements, retirement plans and the like which are not materially different from those of other companies. Still they should be read for they may turn up some vital or at least helpful information.

Take a simple case. In the Merck & Company 1960 annual the income statement does not tell how much the company earned from its foreign subsidiaries. But a look at the single note attached to the statement shows the company earned \$10,483,000 from its consolidated foreign subsidiaries in 1960 and \$10,934,000 in 1959.

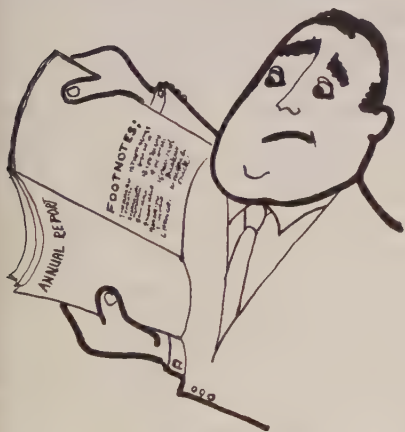
A little division shows Merck obtained 97¢ a share or 37% of its total net from foreign subsidiaries in 1960 and 36% in 1959.

More involved — perhaps more interesting to the investor — is the foreign earnings picture of Max Factor & Company. The key footnote in this report, as in many, is the one which explains principles of consolidation—that is, it tells which subsidiaries are included in the consolidated statement and which are not.

Not consolidated in the Max Factor statement were the accounts of the subsidiary and branch in Japan "due to uncertainties of the foreign exchange situation."

The footnote reinforces the text of the management's report which states that these unconsolidated earnings amounted to \$1,254,000 in 1960 and \$947,000 in 1959. Thus if & when foreign exchange conditions permit, Max Factor's earnings of \$1.76 a share in 1960 and \$1.63 a share in 1959 will be enhanced by 55¢ and 41¢ respectively.

**Calamities and Castro.** Footnotes are often used to spell the financial consequences of some unusual event which has befallen a company during the year. These can include accidents, fires, expropriation of foreign subsidiaries, litigation, proxy fight expenses and the like. Needless to say, problems relating to the



Cuban situation have been noted in annual reports for companies with operations there. In the United Fruit balance sheet net investment in Castro-land is listed at zero for December 31, 1960 v \$37,639,000 a year earlier. In the statement of retained earnings it shows a deduction of \$27,103,000 resulting from expropriation of assets in Cuba (after net taxes). Both items refer to note 5 which says succinctly and regretfully: "Because the Cuban assets were written off in 1960, the 1959 accounts have been restated for comparative purposes to show separately net investment in Cuba."

On the legal front, Colonial Sand & Stone experienced the indictment of its president and executive vice president-secretary, the brothers Anthony and Fortune Pope, on Federal charges of filing proxy statements containing misleading statements. The Government contended the statements concealed certain transactions between companies owned by the Popes and Colonial Sand through which the Popes allegedly diverted \$379,000 from Colonial over a four-year period. The brothers have since paid back over \$400,000 to Colonial, later were fined and given suspended sentences. Stockholders were notified of the charges and the return of the money in a letter from the two brothers in July. A footnote in the annual report simply refers to the previously mailed letter—thereby indirectly incorporating it into the report. It also states an audit had shown the brothers had returned \$5,005 too much.

**True Profits.** Footnotes have their critics, notably including accountants. In a recent letter to the *Journal of Accountancy* a San Francisco CPA complained of a major listed company which reported its net income for the quarter ended September 30, 1960 as \$5,802,000 or 31¢ a share; an asterisk following the caption of Federal income taxes refers to a fine-print footnote which states the profit reported for the quarter "includes a favorable income tax adjustment for the period January 1, 1959 to June 30, 1960 amounting to approximately \$1,800,000." A little arithmetic, the critical accountant said, would show this reduced income to \$4,002,000. But he complained the 31¢ a share contained no asterisk and "the investor would have some difficulty in computing that the per share net income was 19¢, not 31¢."

Since full disclosure is the aim of footnotes, companies may not be sympathetic when stockholders complain footnote sections are too long (some run seven or eight pages). But the notes often represent a compromise between the accountants, the regulatory authorities and the public on one hand and management on the other.

Says Accounting Professor John Myers of Northwestern University: "Footnotes must be read not because all footnotes are important but because one may be vital."



# **Entries Abound in Water Desalting Derby**

**Many Processes Under Test in US but  
None Ready for Large-Scale Commercial Use**

*This Administration is currently engaged in redoubled efforts to select the most promising approaches to economic desalinization of ocean and brackish waters, and then focus our energies more intensively on those approaches \* \* \* no water resources program is of greater long-range importance for relief not only of our shortages, but for arid nations the world over.*

**T**HIS FORMAL pronouncement by President Kennedy presages heightened concentration on an endeavor which has been a fond dream of mankind for centuries and more recently has excited the imagination of many engineers, civic officials and investors. On the business side, projects to tap drinkable water from the seemingly boundless reservoir of the salty seas currently engage the efforts of such well-known corporations as GE, Westinghouse, AMF, Carrier and Fairbanks Whitney as well as small specialists like Ionics Inc. But before gulping any desalted stock cocktail, the wise investor should pause to study both the sweet & bitter ingredients:

- Under the Government's Office of Saline Water (OSW), five fair-sized demonstration plants now at various stages of development should provide the first realistic production and cost figures for US desalting.

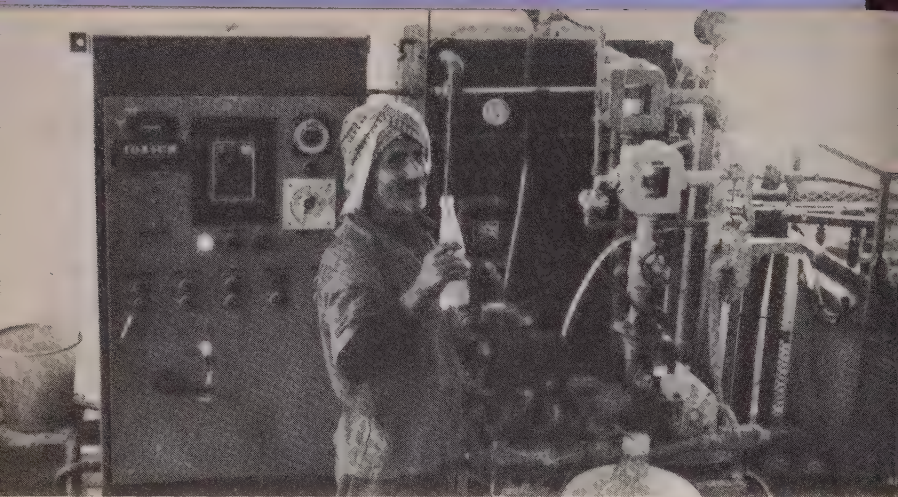
- In water-short areas overseas seawater desalting plants date as far back as 1928 and several large ones are in operation. Domestically, application is limited to special water purposes but several small plants have been installed to convert brackish water into usable supplies.

- However, it will probably take

considerable time to determine if any companies will come up with processes technically and financially more feasible than approaches in use today—and still longer for such fortunate “winners” to be able to realize any material returns on their projects. And of course for many of the larger companies, water conversion would only be one more item in their vast roster of undertakings. Some companies undoubtedly will derive substantial long-range profits from such projects but meantime the mere publicity of participation in water desalinization has often caused quite a run-up in the stock.

- Finally, some water experts feel present emphasis on desalinization needs has been overdone, especially in the US, and that greater efforts to eliminate (sweet) water pollution will provide a more economical solution.

At this stage however the focus is on the strides being made by the OSW in its demonstration plant program. Set up in the Interior Department in 1952, the OSW has worked in conjunction with over 200 interested research organizations (and some individual researchers). It has pushed through the prototype and pilot plant stages and now is set to



### ***Desalted water helps make Canada Dry in Bahrain***

study the "commercial feasibility" of five different desalting methods (see table). Three of the processes to be tested are based on traditional distillation, the fourth on electro-dialysis and the fifth on freezing. However one prominent engineer speaks with some disillusionment about the agency's progress: "The predicted economies of the demonstration plant processes are no improvement over commercial plants now in operation overseas."

The first plant using long-tube vertical multiple effect distillation is due to be operational "in about 40 days." Designed to produce 1,000,000 gallons per day (gpd) or enough for a community of 7,500, this Freeport, Texas installation was engineered by W L Badger & Associates of Ann Arbor, Mich. Construction crews of prime contractor Chicago Bridge & Iron Company finished their job two weeks ago. The installation is now being tested by Chicago Bridge.

Chicago Bridge is a privately owned fabricator of steel tanks, pressure

vessels and industrial process equipment which has worked in the desalting field for about six years. In 1959 it set up a joint subsidiary called Weir-Chicago Bridge with G & J Weir Ltd of Glasgow, the world's leading contractor of land-based distillation plants. This company seeks desalting business in the Western Hemisphere.

According to Weir-Chicago president William Vandersteel, Weir has built or furnished equipment for seven of the nine major (1,000,000 gpd-plus) desalting plants now in operation around the world. These include three in the Dutch West Indies (including one in Aruba—see cover), one in Nassau and three plants on the Persian Gulf in Kuwait. Westinghouse built two other plants in Kuwait: one with Chicago Bridge in 1958, the other on its own in 1949.

The most recent foreign plants use the multi-stage flash distillation process which Bill Vandersteel calls "the most efficient yet developed." He adds: "All the companies of note building plants today are offering



multi-flash in a variety of forms."

It is the process to be tested by OSW plant No 2 now under construction outside San Diego. It is being engineered and built by Westinghouse. Specifications were drawn up by Fluor Corp of Los Angeles, a utility construction specialist which has worked with the OSW on design of a flash system since 1957. Plans for providing energy for the plant from an experimental low-temperature, low-pressure nuclear reactor were recently abandoned by the AEC because of site "difficulties." Probably a conventional oil-fired boiler will be used. The OSW expects "the plant should be operating at 1,000,000 gpd by January of next year."

OSW plant No 3 at Webster, S D will test the electrodialysis method. It will treat brackish water which contains 1-to-8,000 parts salt in every 1,000,000 parts water (*v* 35,000 parts salt in seawater). The plant is

scheduled to be operating by late Fall with capacity at 250,000 gpd. Construction will be handled by the Austin Company of Cleveland under a subcontract from prime contractor Asahi Chemical Industries Company of Tokyo. The award to Asahi has been protested by US electrodialysis patent holder Ionics Inc of Cambridge, Mass.

The fourth plant in Roswell, N M employs the third of the distillation systems, known as forced circulation vapor compression. It also treats only brackish water. Catalytic Construction Company of Philadelphia is working on specifications for this 250,000 gpd plant and the OSW "hopes to advertise for construction bids by July 1."

Natural contenders for the contract are companies which have previously worked on development of this process. They include American Machine & Foundry; Badger Manu-

## DESALTING SYSTEMS FOR OSW DEMONSTRATION PLANTS

### Long-Tube Vertical Multiple Effect Distillation

Seawater is pumped into a series of vertical evaporators which contain a nest of long tubes. The seawater is boiled inside the tubes. Thereafter brine is separated from the fresh steam produced by boiling. This steam is then condensed as water.

### Multi-stage Flash Distillation

Superheated brine solution is piped into vacuum chambers where the lower pressure causes it to boil suddenly (flash) and release steam. The steam then rises to contact coils at the top of the chamber, condenses and drips as purified water into collecting troughs below.

### Vapor Compression Distillation

Saline water is pumped into a heat exchanger in an evaporation chamber where it is boiled. The resulting vaporized fresh water (steam) is further heated in a compressor so that it can be re-used as the evaporator heating medium before being drawn off as fresh water.

### Electrodialysis

Brackish water is subjected to an electrical field which attracts or repels the electrically charged mineral particles (ions). Selective plastic membranes in the tank, however, block the ions before they can reach the electrodes, thus trapping them within a waste brine compartment while desalted water flows through to another compartment.

### Freezing

Seawater is turned into a slurry of ice crystals and brine either by cooling with flash evaporation in a high-vacuum chamber or by evaporating a hydrocarbon solvent in contact with sea water. The ice crystals are then removed mechanically and melted.

facturing Company, an early developer of the vapor compression process and a neighbor of Ionics in Cambridge; Cleaver-Brooks; Weir-Chicago Bridge; Griscom-Russell of Massillon, Ohio which in 1932 built a 500,000 gpd plant for Standard Oil of Jersey in Aruba and Struthers Wells of Warren, Pa, better known for its experimental work in freezing.

The last demonstration plant will test a 250,000 gpd freezing unit. It is slated for the tiny resort town of Wrightsville Beach, NC, a site picked last month over 50 East Coast applicants. The OSW is currently selecting an architect-engineer, estimates contract bidding is "at least six months off." Likely bidders include Blaw-Knox which operates a pilot plant for freezing in St Petersburg, Carrier Corp and Struthers Wells.

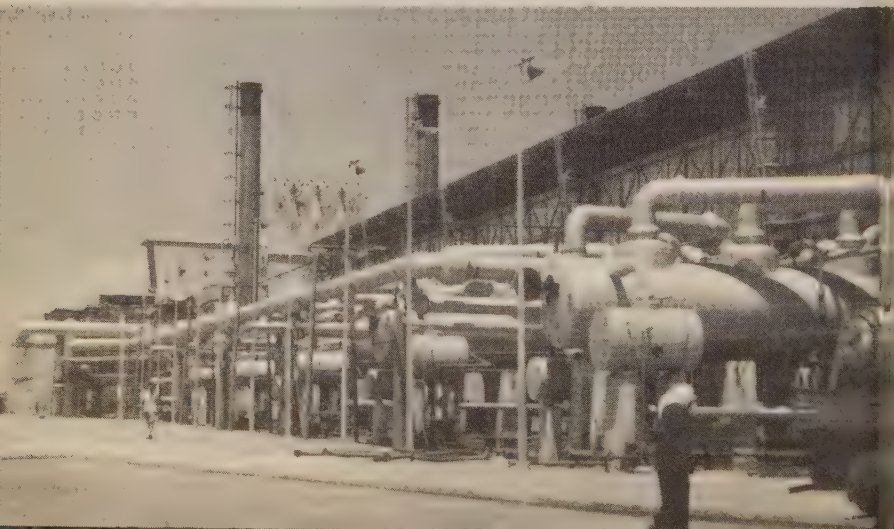
One company missing from this prospective bid list is Fairbanks Whitney which last month broke ground in Israel to install the first unit of its freezing process. Says

president David Karr: "We have not and will not apply to the Government for funds or facilities to develop a desalting process. We prefer not to give away our knowhow in the maximum disclosure involved with OSW contracts."

Fairbanks Whitney was enlisted as a partner by the Israeli government in 1959 after the country obtained the process from Dr Alexander Zarchin, a Russian-born inventor. Fairbanks subsidiary Fairbanks Morse is now building the necessary equipment, claims costs of product water from a pilot plant in Beloit, Wis and for the 260,000 gpd plant in Israel at "substantially under \$1 a thousand gallons."

Besides the five demonstration plants, the OSW currently has an interest in eleven pilot plants and three "principal" engineering prototypes, the latter built by General Electric, Struthers Wells and Koppers. Presumably other companies, like Fairbanks Whitney, may be working

#### ***Westinghouse distillation plant in Kuwait***





without Government aid. Among those which have sold commercial desalting equipment are AMF's Maxim Silencer division which makes evaporators for the Navy and Lummus Company of Manhattan, builder of a 150,000 gpd distillation plant for Pacific Gas & Electric.

Desalting research is also carried on by Food Machinery & Chemical, Monsanto, Nalco Chemical and Rohm & Haas. In addition, Curtiss-Wright, duPont, Electric Storage Battery and Lummus are all investigating distillation with solar energy, a process which has not yet approached commercial feasibility.

### **Water Costs**

Basic to the whole question of desalting the sea is of course relative cost. Treated water is not yet competitive with commercial water except in areas of unusual shortages such as arid Aruba and Kuwait. Municipal water rates (which include distribution costs) commonly fall between 20-to-40¢ a thousand gallons in the US; desalted water prices are presently in the \$1-to-2.25 range. Shipboard distillation costs about \$2-to-4.50 a thousand.

However as people in areas of perennial shortage are forced to go farther for water, natural water costs are rising. Meanwhile desalting is gradually becoming cheaper.

Closely tied in with the question of costs is the nature of the potential market. In 1960 total US water consumption came to 312 billion gallons daily. Half of this went to agriculture, 40% to industry, 10% for municipal and home use. This is a substantial rise from 262 billion gallons a day in

1955. And for 1980 demand is estimated at 560 billion gallons. Just in the past decade average per capita use has climbed about 10%.

Against such growing demand our total sources of fresh water remain constant. However vice president William E Katz of Ionics Inc warns against confusing water withdrawal with consumption or "shortages in equipment for collection and distribution with shortages in water itself." Adds Dr Abel Wolman, professor of sanitary engineering at Johns Hopkins: "Most of the 560 billion gallons a day estimated for 1980 will be returned to the stream for re-use, leaving about 120 billion actually consumed. Consequently conservation methods such as pollution control and industrial re-use will frequently be cheaper alternatives to demineralization." But he adds: "Some areas of the US will encounter true water shortages. Desalting does have significance."

In picking among desalting systems, each has arguments pro & con. With distillation, scale formation and corrosion of pipes and tanks are the chief hindrances to efficiency. Also energy and capital equipment costs are often high.

Freezing—the process most recently out of the lab, with the Fairbanks Israel plant the initial commercial installation—is believed by some to promise lower energy costs plus less tendency toward scaling and corrosion because of low temperature. The biggest problem is how to separate the pure ice crystals from the salt brine at reasonable cost.

Electrodialysis boasts the lowest

costs and a large number of commercial installations. For instance, Ionics claims costs of 20-to-60¢ a thousand gallons in many of its 60 plants. The big drawback is the method's limitation to brackish water. However Ionics vice president William E Katz maintains: "There is a need for sea water conversion in certain locations but we feel brackish is a more sensible and more available source for many problem areas. Sea water must be transported if away from sea level and coasts. It is more corrosive and has a high organic contamination not found in underground sources."

Electrodialysis has found two good markets in the US: Government missile bases and electric generating stations. The city of Coal-inga, Cal claims the nation's first municipal desalting plant, now two years old. Using Ionics electrodialysis equipment and brackish water it produces its sweetened product at a cost of \$1.45 a thousand gallons. This compares with \$7.05 previously paid to haul water by rail. Another electrodialysis application: a new AMF home desalting unit.

On the cautionary side, recently appointed OSW director Frederick MacGowan told the House Appropriations Committee last month that

no "sensational breakthroughs" are likely for at least the next few years under the program's present pace.

An even stronger stand is taken by Bill Vandersteel of Weir: "There won't be any such thing as a technological breakthrough in desalinization. Principles involved today were being used 30 years ago. All we can look for is a series of marginal improvements." Regarding desalted water in the US he observes: "In the foreseeable future we expect nothing but very specialized uses for industry or isolated problem areas."

Similarly, William M Finkeldey, chairman of Fluor affiliate Singmaster & Breyer cautions: "Desalinization is still anybody's guessing game. Unfortunately there has been a great deal of stupid romance connected with the subject in the last two or three years. Some people are talking volume figures 10-to-15 years off."

He continues: "Water in the US is our scarcest raw material and it's getting scarcer all the time. What's required above all is common sense. A combination of measures including re-use by industry and improved stream pollution control along with eventual desalinization will be required to meet this problem as long as our population and industrialization keep increasing."

## Investor's Reader Staff

Maryjane Tanahey, *Editor of Issue*

Phebe Alexander

Barbara Buehrig

Betsey Casey

Anne Gregory

Norma Walter

Fred Weymuller

Henry R Hecht, *Managing Editor*

LA RUE APPLGATE, *Editor*

## Production

Annette Miller

Carol Trick, *Artist*

Joyce De Mauro

## Contributors

Joel Cowdrey, *Dallas*

William Ford, *Providence*

Robert Mentch, *New York*

James Shelley, *Greensboro*

Mary Wrenn, *New York*

Stewart Zobian, *New York*

© 1961 by MERRILL LYNCH, PIERCE, FENNER & SMITH INC 70 PINE STREET, NEW YORK 5, NY

When you move, please send both old address (as imprinted on back cover) and new one directly to Western Printing Company, Poughkeepsie, NY



## VAN HEUSEN VIP

The gentleman is showing off the wife-saving features of his new Van Heusen shirt. Called the Vanalux, this \$5 shirt to be introduced in the Fall by 42-year-old shirt specialist Phillips-Van Heusen Corp of New York has a unique non-resinous textile finish developed by General Aniline & Film Corp. President Seymour Phillips of Van Heusen which has exclusive rights for one year to the General Aniline process notes: "The Vanalux is the ultimate in wash & wear shirts. The finish is locked in the fiber and unlike resin finishes cannot wash out." It is said to be softer to the touch, more comfortable to

wear and more wrinkle resistant. Shirtmaker Phillips "unconditionally guarantees wash & wearability for the life of the shirt."

Besides shirts, Van Heusen tailors a diverse line of men's pajamas, underwear, swimwear, sweaters, handkerchiefs and ties. This Fall the company will add men's slacks to its line under the Vanapress label.

In 1959 it acquired 97% of Kennedy Inc which operates 16 small department stores in New England with a 17th planned for the Fall. Van Heusen also makes and sells textile machinery through subsidiary S R Folding Machine Company.

Van Heusen's trim tailoring, president Phillips reports, "scored heavily last year despite the fact 1960 came in like a lion and went out like a lamb." Sales climbed 2% to an alltime high of \$55,600,000 though earnings eased 5% to \$1,970,000 or \$1.69 a share. President Phillips explains this "reflects the higher cost of doing business in a period of economic slowdown." Seymour Phillips reports orders in the first quarter this year were "off slightly" while shipments stayed even with the first quarter of 1960.

With an eye for further growth Van Heusen has just signed two licensee agreements in Argentina and Panama, bringing its total number of licensees to twelve.



This is a news and educational publication about financial and business matters. Articles are selected for their news or general interest and should not be considered a recommendation to buy or sell securities.

## CONSUMMATION

The perfect present has been found at last—

—for birthday, christening, graduation, wedding, or retirement—or even the no-reason-at-all or “unbirthday” present, as Lewis Carroll called it—

—for children, collegians, single people, married couples, even for those impossible people who “have everything.”

This present fits everybody. It costs whatever you want to spend. And it's invariably welcomed—and the donor blessed for his ingenuity as well as his generosity.

What is this filler-of-a-long-felt-need, this boon to gift-givers everywhere, this *summum bonum* among presents?

Stock, common stock, shares in American business—one or ten or 100 or as many as you can afford.

For children, it's educational. For young adults, a nest egg with an eye to the future. For old people, a possible increase in income. For everyone, the potentiality of profit, the prospect of gain, the sense of sharing in the ownership and operation of a great corporation.

No red tape involved; just visit your nearest Merrill Lynch office. We'll help you choose a suitable stock, if you like, and you can leave the rest to us.

Published by

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

70 PINE STREET • NEW YORK 5, N. Y.

Accepted as controlled  
circulation publication at  
POUGHKEEPSIE, N. Y.

MRS C MCNEIL ASST SAL  
UNIV OF ILL LIBRARY C  
NAVY PIER  
CHICAGO 11 ILL

Please send address changes to  
Western Printing Co., Poughkeepsie, N. Y.